

# Texas Payday & Auto Title Lending Simulation



*Searching for the missing money*

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# Setup & Preparation

## Purpose

The Texas Payday & Auto Title Lending Simulation is intended to be used freely for public education purposes only. The Texas Payday & Auto Title Lending Simulation is the intellectual property of Baylor University.

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## What you Need

3-5 facilitators

An open area with 3-4 tables

The ability to present the attached PowerPoint presentation & internet access for the informational videos (slide 5)

Seating for the expected participants

4 Tokens to represent the bi-monthly expenses. Tokens can be:

A can of food—representing food

A set of keys—representing access to the apartment

An index card with “Title” written on it—representing the car title

Either a bottle of water or toy car—representing utilities or gas for the car

Paper money in \$25 dollar increments is attached in order to be printed and cut for the simulation. (For an easier option, use paper money from a board game.)

The total time for the simulation, PowerPoint presentation, and discussion is approximately 60 minutes, depending on the audience.

## Layout

Spacing is important in the simulation. Set the 3 tables around the room while keeping an open area available for the participant. This helps demonstrate the running around town that is required by the borrowers. In addition, the observers are able to watch the body language of the borrower as he/she hesitates and fears the effects of the loan.

## Facilitators' Roles

**One person acts as the Lender at Texas Payday Lenders**, the local payday lender. *The store sign can be printed out and attached to the lender's table.*

**One person acts as the Lender at Fast Cars, Fast Money**, the local auto title lender. *The store sign can be printed out and attached to the lender's table.*

At both Lenders, the participants may borrow money at \$100 increments. No interest is charged; however, for every \$100 borrowed, a \$25 fee must be paid. (See worksheet for further explanation.) All loan periods are two weeks in length. At the end of the initial 2-week period, the borrower must repay the loan ALL AT ONCE. NO PARTIAL REPAYMENTS ARE ALLOWED.

If the borrower cannot repay the loan, he/she may “rollover” or extend the loan for another \$25 per \$100 borrowed. (If \$200 was borrowed, then \$50 must be paid each time the loan is rolled over.) Rollovers continue indefinitely. Lenders can encourage borrowers to go to a neighboring lender to take out a new loan to pay off the loan owed at their establishment if the borrower has trouble repaying. The Lenders’ chief agenda is to make sure they are repaid. They are professional in speech, but they are also aggressive and very direct. Lenders ALWAYS make sure they are paid first before any bi-monthly expenses are paid.

**One person acts as the banker.** The banker dispenses the 2-week pay (\$350/\$375/\$400) and collects all payments for food, utilities, and rent. (This role can be split into two facilitators: one who provides bi-monthly income and one who collects bi-monthly bill payments. )

**One person acts as the simulation narrator.** The narrator answers any questions about what to do or about is allowable. The narrator also helps to present what is happening to the onlookers with minimal interference.

### Explanation

The narrator begins by asking for a volunteer to participate in the simulation. The narrator reads aloud the rules explained on the Pay Day & Auto Title Lending Simulation sheet to the participant and everyone else observing. (Providing multiple sheets to the observers reduces confusion.) At the end of the simulation, the Lenders explain to everyone how much money was borrowed, how much money was paid, and if the person is still in debt after 3 rounds (6 weeks.)

After additional (up to 2 more) simulations with different bi-monthly income levels, the narrator asks the group how they felt as they watch the participant interact with the Lenders.

“How would you feel if this was your parent or child in this situation? What would you tell them? What do you think needs to be done?”

After the simulation and discussion, the facilitators go through the PowerPoint presentation.

## Pay Day & Auto Title Lending Simulation

*You have a small apartment, a 2001 Honda Accord, and a steady job that pays \$475 every two weeks. Your budget is tight, but you make things work for your family in your small apartment. You are a hard working employee; however, you recently learned that your hours at work have been cut. Your employer says that it is only temporary and that you should be back to your regular hours in a few months. As your financial situation has tightened, your decisions affect not only you, but also the two elementary aged children for whom you care. Currently, you are only being paid (choose one: \$350/\$375/\$400) every two weeks.*

1. You will get paid a set salary (\$350/\$375/\$400) at the beginning of each two week period or round.
2. You may choose to take out a payday loan or an auto title loan each round, but you are not required to do so.
3. If you do take out a short-term loan, you will need to abide by the repayment policies of the loan agency.
4. You must make the following payments at the end of each round:  
Food: \$50 / Gasoline/Utilities: \$100 / Rent: \$300
5. If you cannot make any of the payments, you will lose that necessity: food, utilities, and apartment.
6. Your goal is to end the 6 week (3 two-week rounds) period with ALL of your necessities and NO payday loan debt.

# Texas Payday Lenders

## BUSINESS POLICIES

### Amounts you can borrow:

- \$100
- \$200
- \$300
- \$400

### Fees:

- You must pay \$25 per EVERY \$100 borrowed.
  - o Example: \$100 = \$25 fee
  - \$200 = \$50 fee
  - \$300 = \$75 fee
  - \$400 = \$100 fee

### Repayment:

- You must repay your loan on your next payday.
- If you CANNOT pay your full loan back, you can pay the \$25 fee for every \$100 and roll the loan over to your next payday.

# Texas Payday Lenders

## WORKSHEET

Name:

Loan Period #	Total borrowed	Total fees
One ( <i>Initial Loan</i> )		
Two		
Three		
Totals:		

Name:

Loan Period #	Total borrowed	Total fees
One ( <i>Initial Loan</i> )		
Two		
Three		
Totals:		

Name:

Loan Period #	Total borrowed	Total fees
One ( <i>Initial Loan</i> )		
Two		
Three		
Totals:		

# Fast Cars, Fast Money

## BUSINESS POLICIES

### Amounts you can borrow:

- \$100
- \$200
- \$300
- \$400

### Fees:

- You must pay \$25 per EVERY \$100 borrowed.
- You must present your car title as collateral.
  - o Example: \$100 = \$25 fee

\$200 = \$50 fee

\$300 = \$75 fee

\$400 = \$100 fee

### Repayment:

- You must repay your loan on your next payday.
- If you CANNOT pay your full loan back, you can pay the \$25 fee for every \$100 and roll the loan over to your next payday.

# Fast Cars, Fast Money

## WORKSHEET

Name:

<b>Loan Period #</b>	<b>Total borrowed</b>	<b>Total fees</b>
<b>One</b> ( <i>Initial Loan</i> )		
<b>Two</b>		
<b>Three</b>		
<b>Totals:</b>		

Name:

<b>Loan Period #</b>	<b>Total borrowed</b>	<b>Total fees</b>
<b>One</b> ( <i>Initial Loan</i> )		
<b>Two</b>		
<b>Three</b>		
<b>Totals:</b>		

Name:

<b>Loan Period #</b>	<b>Total borrowed</b>	<b>Total fees</b>
<b>One</b> ( <i>Initial Loan</i> )		
<b>Two</b>		
<b>Three</b>		
<b>Totals:</b>		



# Texas Payday Lenders

*We help you get easy money!*



# Fast Cars, Fast Money

*Cash that's as fast as your car!*



